

Supporting Statement for the Ongoing Intermittent Survey of Households (FR 3016; OMB No. 7100-0150)

Summary

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, with minor revision, the Ongoing Intermittent Survey of Households (FR 3016; OMB No. 7100-0150).

The Federal Reserve uses this voluntary survey to obtain household-based information specifically tailored to the Federal Reserve's policy, regulatory, and operational responsibilities. Currently, the University of Michigan's Survey Research Center (SRC) includes survey questions on behalf of the Federal Reserve in an addendum to their regular monthly Survey of Consumer Attitudes and Expectations. The SRC conducts the survey by telephone with a sample of 500 households and asks questions of special interest to Board staff intermittently, as needed. The frequency and content of the questions depend on changing economic, regulatory, and legislative developments. Attachment I provides a sample of proposed topics that may be covered for other divisions by future SRC surveys.

The Federal Reserve proposes to revise this information collection to allow contractors, either the SRC or others, to use broader surveying techniques, such as mall intercept testing, focus groups, and guided discussions.¹ The current annual burden for the FR 3016 is estimated to be 390 hours. The proposed annual burden for the FR 3016 is 658 hours.

Background and Justification

Many functional areas of the Federal Reserve need to gather data on a timely basis from consumers on their financial attitudes and decisions. These data are needed to address issues of immediate concern arising from Federal Reserve committee initiatives and working groups, economic developments or requests from the Congress. It is not always feasible to propose a survey and wait for the completion of the sixty-day public comment period and the remainder of the clearance process and obtain timely and accurate data. The Federal Reserve has no other information collection that supplies these data. These surveys are voluntary.

In the subject areas covered by past surveys and future proposed surveys, much of the information needs to be obtained via a survey of individual households, either because (1) personal attitudes or opinions are sought, or (2) the desired information is not, or could not be, systematically compiled by financial institutions. In several instances, the surveys have provided the only reliable source of information about developing events in the financial markets. The findings of the surveys have been widely used in the press and extensively by researchers outside the Federal Reserve System.

¹ Other vendors used by the Federal Reserve to conduct past surveys include NORC (a social science and survey research organization at the University of Chicago) and the Research Triangle Institute in Charlotte, N.C.

Division of Research and Statistics (R&S)

The Ongoing Intermittent Survey of Households was initiated in 1981 by R&S. Over the past twenty-three years, the survey data have helped the Federal Reserve understand consumer credit markets and consumer behavior. The Federal Reserve has used the data to meet the current analysis needs of the Board, to respond to mandates from the Congress for information and reports, and to provide information to the public.

To help meet current analysis needs, R&S has sponsored surveys in recent years on home mortgage refinancing (April 2003, October 2003, May 2004, October 2004), automobile financing (August 2003, February 2004), home purchase behavior (December 2003, July 2004), the rate of return households expect to receive on their stock portfolios (April 2003, October 2003, April 2004, and October 2004), and other topics. The Federal Reserve's internal estimates of the effect of cash-out mortgage refinancing on consumption and on the economy in general are derived in part from this data. Analyses based on the refinancing data and the other components are also released to the public through statistical releases, *Federal Reserve Bulletin* articles, and academic research papers. In addition, R&S sponsors questions on every survey about household expectations of future inflation. The data gleaned from these questions are an input into the staff inflation forecast.

To help fulfill the Board's regulatory and consumer protection mission, in 2004, R&S sponsored surveys on consumer knowledge of and attitudes toward prescreened credit card offers, privacy notices, debit card fees, and credit card disclosures. Many of these surveys were conducted in response to requests from the Congress. The data helped Board staff analyze issues raised by the Fair and Accurate Credit Transaction Act of 2003, the Gramm- Leach-Bliley Act (GLB Act), the Truth in Lending Act, and Regulation Z. In addition, the data contributed to the Board's ongoing research and policy work on the payments industry.

Division of Consumer and Community Affairs (DCCA)

DCCA entered into its own contract with the SRC for use of the Survey of Households in 1995. The survey results have contributed to a better understanding of consumer credit markets and consumer behavior. The questions have investigated timely subjects relating to the Federal Reserve's responsibilities for consumer credit, financial services, and consumer leasing. Topics covered in recent surveys include consumers' use of electronic banking services (October and November 1999 and June and July 2003), consumers' level of financial literacy and financial behaviors (November and December 2001), consumers' response to privacy notices under the GLB Act (December 2004), and consumers' use of store-value cards (pending, March and April 2005).

Survey data on these topics have been used by the Federal Reserve to respond to information requests by the Congress and the Federal Reserve's Consumer Advisory Council, to verify trends in potentially problematic banking practices, to provide information to staff as they conduct reviews of Federal Reserve regulations, and to prepare Federal Reserve reports and testimony for the Congress.

Other Divisions

From time to time other divisions may need to conduct similar surveys. If these surveys are conducted by vendors other than SRC, they would be contracted for separately. The Division of Reserve Bank Operations (RBOPS) and other divisions may conduct surveys that would cover a broad range of topics. For example, a survey on consumer retail payments might document current patterns of consumer retail payment use and also help to examine the determinants of payment choice.

These surveys would be designed to meet three goals: to document current patterns of consumer retail payment use; to determine consumer attitudes toward different types of retail payment instruments; and to examine the determinants of payment choice. Board staff cannot anticipate what information will be needed, and the need for information may be time-critical. General approval is sought to conduct the surveys as needed.

Description of Information Collection

For each monthly SRC survey conducted the SRC staff samples about 500 households from the universe of all private households in the coterminous United States (approximately 112 million households). The sample is designed to be representative of the national population of households. The SRC staff conducts the interviews by telephone and respondent participation is voluntary. If the staff cannot obtain interviews with selected respondents, they select replacement respondents until they complete approximately 500 interviews.

Board staff draft and edit the questions in consultation with the SRC personnel. The SRC conducts a field pretest of the questions; however, the Federal Reserve is charged only for the time used on the actual survey.

The survey intermittently includes questions of special interest to the Board staff, when needed, as additions to the SRC's regular survey format. These questions relate to various aspects of consumer financial behavior and the impact of regulations affecting consumer financial services. Other questions cover consumer retail, depository institution, and corporate retail payment systems usage, processing, and technology.

It is difficult to determine in advance the specific number of times the Board staff will ask the SRC to obtain survey data since the need for data often arises from unpredictable legislative and economic developments, or from unforeseen congressional requests for information. In the past, the Federal Reserve has participated in about five SRC surveys each year in addition to the standard R&S inflation expectation questions. Although the Board staff plans some surveys well in advance, the survey's principal value is in the flexibility it provides the Board staff to respond quickly to changing economic, legislative, and regulatory developments.

Proposed Revision

The Federal Reserve proposes conducting other consumer and household surveys as needed not more than twice a year. These surveys could be conducted as one-on-one interviews or focus group sessions. Experience has shown that focused discussions of twelve to fifteen respondents are most productive. For example, topics related to personal finance choices including, the quality, format, and understanding of the disclosures received from a financial institution about those product choices, can be better addressed in small focus group discussions. The goal for such focused discussions would be to identify what issues consumers want addressed and how they would like to receive this information. The Federal Reserve would work with the appropriate stakeholders to recruit small groups of consumers to serve as voluntary respondents. The Federal Reserve estimates these discussions may take up to ninety minutes.

Time Schedule for Information Collection and Publication

Under its current contract, the Board staff can ask the SRC to obtain survey data as often as monthly; however, there may be months when no survey data are collected for the Federal Reserve. When a survey is conducted for the Federal Reserve, the SRC staff code and edit the interview responses and then transmit the data on disk or via the University's secure website to Board staff, who tabulates and analyzes the data.

The Board does not publish the survey data that it obtains from the SRC. Survey information is frequently cited, however, in published material such as professional journals, the *Federal Reserve Bulletin*, and testimony and reports to the Congress. Under the terms of the contract, the SRC routinely places individual respondent data, stripped of names and other characteristics that would permit personal identification of respondents, in the public domain one year after collection.

The time schedule and publication of data collected from surveys, other than those conducted by the SRC, would be detailed in the individual contract documents.

Legal Status

The Board's Legal Division has determined that the Board is authorized by law to collect this information (12 U.S.C. 225a, 263, and 15 U.S.C. 1691b), and that respondent participation in the SRC survey is voluntary. No issue of confidentiality normally arises because names and any other characteristics that would permit personal identification of respondents are not reported to the Board. However, exemption 6 of the Freedom of Information Act (5 U.S.C. 552(b)(6)) would exempt this information from disclosure.

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve.

Estimate of Respondent Burden

The current annual respondent burden for the Federal Reserve's portion of the surveys to be conducted by the SRC is 390 hours. The Federal Reserve proposes to decrease the total annual respondent burden for the SRC surveys from 390 hours to 358 hours.

The following table shows estimates of current and proposed annual respondent burden. These estimates are based on the recent experiences of R&S and DCCA. In recent years, both divisions have fielded shorter survey components than in the past. As a result, the estimated average minutes per response has declined, and consequently the divisions can sponsor more survey components per year. In total, the divisions anticipate fielding nineteen components in 2005, although actual usage will depend on the divisions' needs. However, the total estimated burden hours will not exceed the amount budgeted for a particular year.

The Federal Reserve proposes to conduct additional ad-hoc surveys with other survey companies and estimates that the annual respondent burden for the non-SRC surveys will not exceed 300 hours for 2004. The proposed annual burden for this information collection is estimated to be 658 hours, an increase of 268 hours. The annual burden for this report represents less than 1 percent of the total annual Federal Reserve reporting burden for all reports.

	<i>Number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average minutes per response</i>	<i>Estimated annual burden hours</i>
Current SRC burden				
R&S	500	5	3.00	125
DCCA	500	4	4.25	140
Other divisions	500	3	5.00	<u>125</u>
<i>Total</i>				390
Proposed burden				
R&S	500	12	1.33	133
DCCA	500	4	3.00	100
Other divisions	500	3	5.00	<u>125</u>
<i>Subtotal</i>				358
Non-SRC surveys	100	2	90.00	<u>300</u>
<i>Total</i>				658
<i>Difference</i>				+268

Based on an hourly rate of \$20, the maximum cost to the public for this revised information collection is estimated to be \$13,160.

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

Division of Research and Statistics

The R&S contract with the SRC commits the Board to purchase thirteen minutes of interview time per year, with an option to purchase up to fifteen additional minutes per year. Under the 2005 R&S contract, the cost per minute will be \$4,305, for a minimum annual expenditure of \$55,965. The purchase of interview time for subsequent years would require Board approval through normal budget procedures.

Division of Consumer and Community Affairs

The DCCA addendum to the SRC contract commits the Board to purchase seventeen minutes of interview time per year, with an option to purchase up to fifteen additional minutes per year. Using the 2005 DCCA contract cost of \$4,818 per minute of interview time charged by the SRC, the Federal Reserve committed to a maximum of \$60,000 of its budget for surveys. DCCA has budgeted for the purchase of up to twelve minutes of interview time. The purchase of interview time in subsequent years would require Board approval through normal budget procedures. The division has also budgeted \$40,000 for non-SRC surveys to be conducted in 2005, on an as needed basis.

Other Divisions

Other divisions can choose at any time to enter into a contract with the SRC. For example, RBOPS is considering participating in one or more surveys over the next three years. This addendum would add some minutes to the overall burden for the year. The purchase of interview time in subsequent years requires Board approval through normal budget procedures.

Sample Questions for the University of Michigan Survey of Consumers

Division of Reserve Bank Operations and Payment Systems

Introduction and Purpose

This attachment contains specific topics that could be addressed in a survey of consumer payment behavior. The survey would be designed to meet three goals: to document current patterns of consumer retail payment use; to determine consumer attitudes toward different types of retail payment instruments; and to examine the determinants of payment choice. The proposed areas of inquiry include the characteristics of different types of payment transactions, as well as the financial characteristics of households and certain types of their accounts. In addition, the demographic characteristics of households would be included as part of the standard information available from the Michigan Survey.

Consumer Retail Payments Survey: Potential Areas of Inquiry

Consumer Payment Behavior²

Cash

- Cash obtained: Volume and value of withdrawals per month at an ATM, at a bank, with cash back from a check, with cash back from a debit card, obtained as wages, or other method. Indicate whether each method is always, frequently, sometimes or never available as an option for obtaining cash. Indicate fees associated with each method.
- Cash deposited: Volume and value of cash deposits per month at an ATM, at a bank, or other method. Indicate whether each method is always, frequently, sometimes or never available as an option for depositing cash. Indicate fees associated with each method.
- Balances (head of household): Average cash balance maintained per month.
- Balances (spouse): Average cash balance maintained per month.
- Balances (other earners): Average cash balance maintained per month.
- Purpose (at the point of sale): Volume and value of payments made with cash per month for gasoline, groceries, department stores, discount stores, and drug stores. Indicate whether payment by cash is always, frequently, sometimes or never available as an option for each purpose.
- Purpose (other): Volume and value of payments made with cash per month for utility bills (telephone, electric, water, cable), credit card bills, durable goods, rent/mortgage, and casual payments. Indicate whether payment by cash is always, frequently, sometimes or never available as an option for each purpose.

Checks

- Checks written: Volume and value of checks written per month on each account. Indicate fees for ordering checks, fees for writing checks, or other charges on each account.
- Checks deposited: Volume and value of checks deposited per month in each account. Indicate fees for depositing checks in each account.
- Checks cashed: Volume and value of checks cashed per month at an ATM, at a bank, at the point of sale, at a check cashing outlet. Indicate whether each method is always, frequently, sometimes or never used for cashing checks. Indicate fees associated with each method.
- Purpose (at the point of sale): Volume and value of payments made by check per month for gasoline, groceries, department stores, discount stores and drug stores. Indicate whether payment by check is always, frequently, sometimes or never available as an option for each purpose.
- Purpose (other): Volume and value of payments made by check per month for utility bills (telephone, electric, water, cable), credit card bills, durable goods, rent/mortgage, and casual payments. Indicate whether payment by check is always, frequently, sometimes or never available as an option for each purpose.

² Some of the topics addressed in the following section duplicate those in this section. The placement of these topics will depend on the structure of the final survey instrument.

Credit cards

- Card holdings: Number of Visa or MasterCard cards, number of Discover cards, number of American Express cards, number of retailer cards, number of oil cards, number of other cards.
- Credit card transactions: Volume and value of payments made by credit card per month for each card.
- Outstanding balance: Outstanding balances on each card after last monthly payment. Indicate interest rate charged on each card.
- Method of remittance: Indicate whether last credit card bill was paid by cash, check, ACH, another credit card.
- Purpose (at the point of sale): Volume and value of payments made by credit card per month for gasoline, groceries, department stores, discount stores, and drug stores. Indicate whether payment by credit card is always, frequently, sometimes or never available as an option for each purpose.
- Purpose (other): Volume and value of payments made by credit card per month for utility bills (telephone, electric, water, cable), credit card bills, durable goods, rent/mortgage, and casual payments. Indicate whether payment by credit card is always, frequently, sometimes or never available as an option for each purpose.

Debit cards

- Card holdings: Number of debit cards, number of debit cards with signature-based function, number of debit cards with PIN-based function, number of debit cards with both functions.
- Debit card transactions: Volume and value of payments made by debit card per month for each card, by signature-based and/or PIN-based transactions. Indicate fees associated with payments made by signature-based and/or PIN-based debit transactions.
- Cash back: Volume and average value of cash back per month for each debit card, by signature-based and/or PIN-based transactions. Indicate whether cash back is always, frequently, sometimes or never available as an option for obtaining cash for signature-based and/or PIN-based transactions. Indicate fees associated with signature-based and/or PIN-based transactions.
- Purpose (at the point of sale): Volume and value of payments made by debit card per month for gasoline, groceries, department stores, discount stores, and drug stores. Indicate whether payment by signature-based and/or PIN-based transactions is always, frequently, sometimes or never available as an option for each purpose.
- Purpose (other): Volume and value of payments made by debit card per month for utility bills (telephone, electric, water, cable), credit card bills, durable goods, rent/mortgage, and casual payments. Indicate whether payment by signature-based and/or PIN-based transactions is always, frequently, sometimes or never available as an option for each purpose.

Financial Characteristics

Account holdings

- Number of institutions where household holds accounts.
- Number and type of accounts at each institution: Accounts on which checks may be written, and accounts on which no checks may be written, but that offer transaction services. Indicate whether each account is at a bank or at a nonbank.
- Credit cards associated with institutions where household holds accounts: Number, fees, number of payments made monthly with each credit card.
- Credit cards associated with institutions where household does not hold accounts: Number, fees, number of payments made monthly with each credit card.

Accounts on which checks may be written

- Number of accounts and balance in each account.
- Account characteristics: Indicate whether there are minimum balance requirements or fees charged for maintaining each account.
- Number of monthly transactions associated with each account.
- Interest rate paid on each account.
- Withdrawals from account: Volume and value of withdrawals, limits on the volume of withdrawals, fees for making withdrawals.
- Deposits to account: Volume and value of deposits, limits on the volume of deposits, fees for making deposits.
- ATM card associated with each account: Number of cards, number of ATM transactions, fees for obtaining cash.
- Signature-based and/or PIN-based debit card associated with each account: Number of cards, number of signature-based and/or PIN-based payments by debit card, fees for making payments by signature-based and/or PIN-based transactions, fees for obtaining cash via signature-based and/or PIN-based transactions.
- Direct deposit of payroll or other electronic payment services associated with each account: Volume and value of receiving/making payments, limits on the volume of receiving/making payments, fees for receiving/making payments.

Accounts on which no checks may be written but that offer transaction services

- Number of accounts and balance in each account.
- Account characteristics: Indicate whether there are minimum balance requirements or fees charged for maintaining each account.
- Number of monthly transactions associated with each account.
- Interest rate paid on each account.
- Withdrawals from account: Volume and value of withdrawals, limits on the volume of withdrawals, fees for making withdrawals.
- Deposits to account: Volume and value of deposits, limits on the volume of deposits, fees for deposits.
- ATM card associated with each account: Number of cards, number of ATM transactions, fees for obtaining cash.

- Signature-based and/or PIN-based debit card associated with each account: Number of cards, number of signature-based and/or PIN-based payments by debit card, fees for making payments by signature-based and/or PIN-based transactions, fees for obtaining cash via signature-based and/or PIN-based transactions.
- Direct deposit of payroll or other electronic payment services associated with each account: Volume and value of receiving/making payments, limits on the volume of receiving/making payments, fees for receiving/making payments.

Income receipt

- Method of receipt of monthly income (head of household): Cash, check, ACH, other. Indicate whether monthly income is received via multiple forms of payment, and whether it is deposited into the accounts described above.
- Method of receipt of monthly income (spouse): Cash, check, ACH, other. Indicate whether monthly income is received via multiple forms of payment, and whether it is deposited into the accounts described above.
- Method of receipt of monthly income (other earners): Cash, check, ACH, other. Indicate whether monthly income is received via multiple forms of payment, and whether it is deposited into the accounts described above.

Demographic Characteristics

The University of Michigan Survey of Consumers has a standard battery of demographic questions, which should be sufficient for the purposes of this study.